

## Message Text

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TO SECSTATE WASHDC PRIORITY 7943  
INFO AMEMBASSY NEW DELHI

UNCLAS SECTION 1 OF 2 BOMBAY 0209

FOR EXIM BANK

E. O. 11652: N/A  
TAGS: EFIN, IN  
SUBJ: INFORMATION ON CHOWGULE GROUP AND PROPOSED NARMADA  
CEMENT COMPANY LTD.

REF : (A) STATE 309952 (B) NEW DELHI 48 (C) NEW DELHI A-242

1. IN RESPONSE TO REFTEL A, FOLLOWING INFORMATION ON THE CHOWGULE GROUP AND ITS PROPOSED CEMENT PROJECT HAS BEEN DEVELOPED ON THE BASIS OF PUBLISHED DATA AND INFORMATION PROVIDED BY LOCAL INDUSTRY AND BANKING SOURCES. CONGEN REPRESENTATIVES ALSO MET WITH MR. V.D. CHOWGULE, CHAIRMAN, CHOWGULE AND CO. PVT. LTD. AND WITH OFFICERS OF THE MANAGEMENT DIVISION, CITIBANK, BOMBAY, FINANCIAL CONSULTANTS OF CHOWGULE FOR THE CEMENT PROJECT.

2. CHOWGULE GROUP, HISTORY AND DEVELOPMENT: THE FIRM STARTED BUSINESS IN 1916 IN PORTUGUESE GOA AS A PARTNERSHIP FIRM ACTING AS SHIPPING AGENTS, STEVEDORES AND FREIGHT BROKERS AND LATER, WITH THE DISCOVERY OF IRON ORE IN GOA, CHOWGULES DIVERSIFIED INTO MINING WHICH CONTINUES TO BE THEIR PRINCIPAL BUSINESS. CHOWGULES LATER DIVERSIFIED INTO

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SHIPPING, BREWERY, TEXTILES, FISHING, FOOD PRODUCTS, PESTICIDES AND MACHINE TOOLS. ACCORDING TO ONE BANKING SOURCE, THE GROUP'S CURRENT ASSETS ARE ESTIMATED AT RS.800 MILLION (APPROX. \$94 MILLION) AND IT HAS OVER 5,000 EMPLOYEES.

3. CHOWGULES ARE ESSENTIALLY A FAMILY ENTERPRISE. EXCEPT

FOR TWO LARGE ENTITIES (CHOWGULE STEAMSHIP LTD. AND MANDОВI PELLETS LTD.) THE FAMILY HAS MAJORITY EQUITY INTEREST IN ALL THE FIRMS CONTROLLED BY THEM. KEY MANAGEMENT CONSISTS OF THREE CHOWGULE BROTHERS, THEIR SONS AND CLOSE RELATIVES. MR. V.D. CHOWGULE IS THE PRINCIPAL FACTOR AMONG THEM AND TAKES MAJOR BUSINESS DECISIONS ON BEHALF OF THE FAMILY. HE IS RATED AS A HIGHLY CAPABLE AND EXPERIENCED BUSINESSMAN AND IS ASSOCIATED WITH SEVERAL TRADE AND INDUSTRY ORGANIZATIONS.

4. HLOCAL TRADE AND FINANCIAL SOURCES INFORMALLY REPORTED TO US THAT CHOWGULES POSSESS LARGE RESOURCES AND ARE CONSIDERED TO BE CAPABLE OF MEETING THEIR BUSINESS OBLIGATIONS. MEMBERS OF THE FAMILY REPORTEDLY POSSESS SUBSTANTIAL PERSONAL WEALTH AND, ACCORDING TO ONE SOURCE, MR. V.D. CHOWGULE IS AMONG THE MOST HIGHLY TAXED PERSONS IN INDIA. WE HAVE RECEIVED VERY FAVORABLE OPINIONS ON CHOWGULES FROM FINANCIAL SOURCES. HOWEVER, FOR ADDITIONAL DATA ON THE GROUP'S TOTAL ASSETS, NET WORTH AND FINANCIAL STATUS, WE SUGGEST THAT EXIM DIRECTLY CONTACT INDIAN FINANCIAL INSTITUTIONS ICICI, IDBI AND STATE BANK OF INDIA WHICH HAVE EXTENDED LOANS TO THE GROUP.

5. ONE BANKING SOURCE REPORTED TO US THAT CHOWGULES HAVE LARGE FUNDS BLOCKED IN PORTUGAL SINCE 1961.

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6. THE FOLLOWING FIRMS BELONG TO THE CHOWGULE GROUP. WE ARE POUCHING ANNUAL REPORTS ON A FEW OF THEM MADE AVAILABLE TO US BY MR. CHOWGULE.

(A) CHOWGULE AND CO. PVT. LTD., GOA: THIS FIRM IS THE FLAGSHIP OF THE CHOWGULE GROUP. IT OWNS MECHANISED IRON ORE MINES, A PELLETIZATION PLANT, A FLEET OF 36 BARGES, A SMALL POWER HOUSE AND EXPORTS OVER 1 MILLION METRIC TONS OF IRON ORE PER ANNUM, MOSTLY TO JAPAN. THE FIRM'S SHIPPING DIVISION OWNS TWO SHIPYARDS AT SIRIGAO (GOA) AND GOGHA (GGUJARAT) WHICH CONSTRUCT BARGES, TUGS, DREDGERS AND LAUNCHES. . THE FIRM'S TEXTILE DIVISION (CHOWGULE TEXTILES LTD.) OPERATES A 25,000 SPINDLE COTTON YARN SPINNING MILL AT QUEPEM, GOA. CHOWGULE AND CO. ALSO OWNS THREE SUBSIDIA-RIES: CARTYBON PVT. LTD. MANUFACTURING CARBON PAPER AND TYPEWRITER RIBBONS, GOA PESTICIDES LTD. PRODUCING PESTICIDE AND INSECTICIDE FORMULATIONS AND CHOWGULE ENGINEERS AND MACHINES LTD. WHICH MANUFACTURES MACHINE TOOLS IN BOMBAY IN TECHNICAL COLLABORATION WITH WEST GERMAN AND ITALIAN FIRMS. CHOWGULE AND CO.'S EXPANSION PROGRAM INCLUDES A 20,000 M. TONS EXPLOSIVES PLANT IN TECHNICAL COLLABORATION WITH E.I. DU PONT AND CO. OF US, A SOLAR SALT WORKS IN GUJARAT

AND TWO IRON ORE BENEFICIATION PLANTS IN GOA.

(B) CHOWGULE STEAMSHIP LTD., GOA: ESTABLISHED IN 1963, CHOWGULE STEAMSHIP IS A PUBLIC CORPORATION ENGAGED IN SHIPPING. FIRM'S EXISTING FLEET CONSISTS OF FIVE SHIPS WITH TOTAL TONNAGE OF 222,704 DWT. TWO MORE BULK CARRIERS ARE ON ORDER. ALTHOUGH A PUBLIC CORPORATION, CHOWGULES ARE MAJOR SHAREHOLDERS OF THE FIRM AND ALSO MANAGE IT.

(C) ARLEM BREWERIES LTD., GOA: THIS FIRM PRODUCES BEER UNDER TECHNICAL KNOW-HOW OBTAINED FROM CZECHOSLOVAKIA. THE FIRM IS RUNNING AT A LOSS REPORTEDLY DUE TO CURRENT GLUT IN THE MARKET.

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(D) KONKAN FISHERIES LTD., GOA: THE FIRM IS ENGAGED IN TRAWLER FISHING, FISH PROCESSING AND EXPORT OF PRAWNS. THE FISHING FLEET HAS FOUR TRAWLERS OF 22 METER SIZE AND ITS CATCH VARIES BETWEEN 400-600 M. TONS PER ANNUM. FIRM ALSO BUYS SHRIMP FROM OTHERS FOR PROCESSING IN ITS PLANT. THE FIRM IS PLANNING TO EXPAND ITS OPERATIONS BY ADDING FOUR

MORE TRAWLERS TO ITS FLEET.

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FM AMCONSUL BOMBAY  
TO SECSTATE WASHDC PRIORITY 7944  
INFO AMEMBASSY NEW DELHI

UNCLAS SECTION 2 OF 2 BOMBAY 0209

FOR EXIM BANK

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SUBJ: INFORMATION ON CHOWGULE GROUP AND PROPOSED NARMADA  
CEMENT COMPANY LTD.

REF : (A) STATE 309952 (B) NEW DELHI 48 (C) NEW DELHI A-242

(E) GOA FOOD PRODUCTS LTD., GOA: THIS UNIT CAN PRODUCE  
DAILY FIVE METRIC TONS OF PROCESSED FRUIT PRODUCTS SUCH AS  
JAMS, SQUASHES, JELLIES AND JUICES. THE FIRM IS ALSO  
DEVELOPING ITS OWN FRUIT ORCHARDS.

(F) MANDОВI PELLETS LIMITED, GOA: CHOWGULES ARE ESTABLISH-  
ING A SECOND IRON ORE PELLETIZATION PLANT IN COLLABORATION  
WITH GOVERNMENT OF INDIA-OWNED STEEL AUTHORITY OF INDIA  
LIMITED IN GOA. THE PROPOSED PLANT WILL HAVE AN ANNUAL  
CAPACITY OF 1.8 MILLION M. TONS OF PELLETS AND IS LIKELY TO  
COME ON STEAM BY MIDDLE OF 1978. ONE THIRD OF THE TOTAL  
EQUITY SHARES IN THIS FIRM WILL BE HELD BY CHOWGULES AND AN  
EQUAL AMOUNT BY THE STEEL AUTHORITY. THE REMAINING EQUITY  
WILL BE RAISED THIS MONTH THROUGH PUBLIC SUBSCRIPTION. THE  
PLANT IS ESTIMATED TO COST RS.480 MILLION (APPROX. \$57  
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MILLION). EQUIPMENT FOR THE PROJECT WILL BE SUPPLIED BY  
VOEST ALPINE LINZ OF AUSTRIA AND TECHNOLOGY BY LURGI OF  
WEST GERMANY. MANDОВI HAS ENTERED INTO ADVANCE CONTRACT TO  
SELL ITS PRODUCTION TO JAPANESE BUYERS.

(G) CHOWGULE REAL ESTATE AND CONSTRUCTION COMPANY PVT.  
LTD., GOA: THE FIRM DEALS IN ESTATES AND PROPERTIES AND  
UNDERTAKES CIVIL CONSTRUCTION AND EARTHMOVING CONTRACTS.

(H) GOMANTAK PRIVATE LIMIED, GOA: THE FIRM PUBLISHES A  
LOCAL LANGUAGE NEWSPAPER WITH REPORTEDLY THE LARGEST  
CIRCULATION IN GOA.

(I) CHOWGULE INDUSTRIES PRIVATE LIMITED, GOA: THE FIRM  
ACTS AS A SELLING AGENT FOR OTHER FIRMS IN THE GROUP  
THROUGH ITS BRANCHES IN DIFFERENT PARTS OF THE COUNTRY.

(J) CHOWGULE BROTHERS, GOA: THIS ORIGINAL FIRM IS CHOWGULES  
CONTINUES TO OPERATE AS A STEAMSHIP AGENT, STEVEDORE,  
CHARTERING AGENT, FREIGHT BROKER AND FORWARDING AGENT. IT  
ALSO REPRESENTS SEVERAL TRAMP SHIPPING COMPANIES.

(K) KOLHAPUR OXYGEN AND ACETYLENE PVT. LTD., KOLAHAPUR:  
THE FIRM MANUFACTURES OXYGEN AND ACETYLENE. PLANT CAPACITY  
IN UIS 27 CUBIC METERS PER HOUR.

6. THE CHOWGULE GROUP'S NON-PROFIT AND PHILANTHROPIC ACTIVITIES INCLUDE A CULTURAL FOUNDATION, A GRADUATE LEVEL COLLEGE AND SEVERAL SCHOOLS RUN FOR THE BENEFIT OF MINERS.

7. THE FIRMS WITH WHICH THE CHOWGULE GROUP IS ASSOCIATED ARE CHOWGULE AND CO. (HIND) PRIVATE LIMITED (A TRADING UNCLASSIFIED

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FIRM), CHOWGULE CHEMICALS PRIVATE LTD. (CHEMICALS AND PHARMACEUTICALS) AND CAMERA WORKS PRIVATE LIMITED (SMALL CAMERAS). CONTROLLING INTERESTS IN THESE FIRMS IS BELIEVED TO BE IN THE HANDS OF ONE OF THE OTHER CHOWGULE BROTHERS WHO HAS SEPARATED FROM THE GROUP.

8. CHOWGULE'S NARMADA CEMENT PROJECT: ACCORDING TO A SOURCE IN THE CEMENT MANUFACTURERS ASSOCIATION, THE NARMADA CEMENT PROJECT WAS ORIGINALLY PLANNED TO BE UNDERTAKEN BY THE GUJARAT STATE GOVERNMENT. THE PROJECT WAS TRANSFERRED LATER TO CHOWGULES. THE PROJECT ENVISAGES THE MANUFACTURE OF 400,000 M. TONS OF CEMENT PER ANNUM USING IHI-FULLER SP PROCESS TO BE SUPPLIED BY FULLER COMPANY OF CATASAUQUA, PENNSYLVANIA, WHICH WILL ALSO SUPPLY CRITICAL EQUIPMENT NEEDED FOR THE PROJECT. THE LINKER PLANT WILL BE LOCATED AT JAFERABAD AND A GRINDING PLANT AT THE PORT TOWN OF MAGDALLA, BOTH IN GUJARAT STATE. THE PROJECT ALSO PROVIDES FOR A SECOND GRINDING PLANT AT RATNAGIRI OR KARWAR ON THE WEST COAST, WHICH WILL BE TAKEN UP BY AN AFFILIATE OF NARMADA CEMENT. ESTIMATED COST OF THE VENTURE IS RS.400 (APPROX. \$46 MILLION) WHICH IS EXPECTED TO BE READY IN THREE YEARS.

9. ALTHOUGH CHOWGULES DO NOT HAVE PREVIOUS EXPERIENCE IN CEMENT PRODUCTION, THEY ARE BELIEVED TO BE CAPABLE OF UNDERTAKING THE PROJECT IN VIEW OF THEIR EXPERIENCE IN ALLIED INDUSTRIES (MINING, PELLETIZATION AND SEA AND SURFACE TRANSPORTATION) COUPLED WITH FULLER COMPANY'S TECHNICAL ASSISTANCE. A REPRESENTATIVE OF CEMENT MANUFACTURERS ASSOCIATION OPINED TO US THAT THE PROJECT IS WELL-CONCEIVED, HAS A POTENTIALLY LARGE MARKET IN THE FACTORY AREA AND ALSO HAS EXPORT POTENTIAL IN VIEW OF ITS PROXIMITY TO THE COAST.

10. STATUS OF INDIAN CEMENT INDUSTRY: REF C IS A RECENT REPORT ON THE INDIAN CEMENT INDUSTRY WHICH PROVIDES DATA UNCLASSIFIED

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ON ITS CURRENT OPERATIONS AND OUTLOOK. WE SUGGEST THAT A COPY OF THIS REPORT BE MADE AVAILABLE TO EXIM BANK. A CMA SOURCE, HOWEVER, INDICATED THAT THE RECENT INDIAN GOVERNMENT DECISION TO PERMIT A 12 PERCENT POST-TAX RETURN ON NET WORTH FOR NEW VENTURES AND PRODUCTION EXPANSION IN OLD PLANTS IS LIKELY TO ATTRACT NEW INVESTMENTS IN THE CEMENT INDUSTRY.

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